

Arkansas Health Information Exchange Finance Workgroup



MARCH 8, 2010
**ARKANSAS CENTER FOR HEALTH
IMPROVEMENT**
MAIN CONFERENCE ROOM
2:30 PM TO 4:30 PM



Welcome & Introductions



HIE Straw Proposal of Strategic Plan

Finance Workgroup

Finance WG Assumptions



- The development of the HIE will be limited to federal funds available until additional federal, state, or user generated revenues are obtained.
- The HIE must be developed to the level of functionality that will meet the Meaningful Use criteria, allow Medicaid to utilize the HIE for an optimum number of functions and transactions, and that will allow ADH to utilize the HIE to meet public health reporting requirements when and where possible.
- Where allowable and feasible, the HIE should provide services to Medicaid, Public Health, and other public agencies and programs to maximize federal funding available for such services.
- Currently available federal funds should be viewed as seed money and/or venture capital with which to attract a private vendor/partner/investor to join AR, under contract, in the HIE development process.
- The HIE network infrastructure, to the extent possible and practical, should be developed by strategically utilizing existing network resources and capacity in AR to maximize currently available funds.
- A state authorized entity should have the fiscal and management oversight responsibility for the contract developed with the vendor(s) hired to develop, implement and operate the HIE in AR.



Financial Principles for HIE

Arkansas' HIE: SHARE: State Health Alliance for Records Exchange

Financial Principles – IDEAS from 2/26



Who Pays? Citizens/Public/Taxpayers

- Ensure fair distribution and equitable allocation of costs for the support of SHARE.
- SHARE place a minimal, if any, financial burden on the taxpayers of Arkansas and instead place the financial reliance upon those individuals who actively receive benefit.
- The starting point of paying should not start with taxpayers.
- Every citizen should participate in the cost in some way because every citizen will benefit somehow.
- If you want to include all citizens in payment, keep in mind that all citizens are not taxpayers.

Financial Principles – IDEAS from 2/26



Who Pays? Payors/Providers

- The largest financial benefactor of the adoption of SHARE will be the health insurers/payors; therefore, consideration should be given to aligning their cost benefit.
- Minimize the impact of SHARE user costs for the provider and payer communities in order to promote participation.
- Medicaid will pay a % of the entire cost of SHARE proportional to its use.
- The Arkansas HIE requires financial investment, whether direct or indirect, for purchase/implementation/maintenance/sustainability/use from all participants/beneficiaries in one way or another. What about non-participants? Is there a “greater good” that raises the level of healthcare for all and improves public health initiatives because of HIE? Should non-participants bear some of the financial load?
- Concern that placing a cost on providers to participate will not benefit SHARE in the long run. It is true that they will benefit, but the system will not work if they don't participate.

Financial Principles – IDEAS from 2/26



Sustainability

- Define the business case for SHARE, including the expected return on investment, business value and potential cost savings.
- Create a sustainable business model including public/private financing mechanisms for SHARE.
- Long term funding of SHARE's costs cannot be borne by health care providers alone.
- Ongoing revenue must be easily collectable and come from stable sources of funding
- Search out other sources of funding – grants, foundations, AR companies and philanthropists but don't rely on them totally.
- The financial model should not rely on grant funding, even though grants may be available for future projects and expansions.

Financial Principles – IDEAS from 2/26



Partnerships

- SHARE should work with HIT-related partners (REC, broadband, etc.) to leverage existing technologies, assets, money and other resources.
- SHARE should focus its initial efforts on areas (places/users) with access that is already being used as well as pipelines, systems, servers, networks, etc. that are currently available but underutilized.
- SHARE will leverage existing sources of funding wherever possible (i.e., Public Health Programs, Centers for Medicare and Medicaid Services) for financing.

Financial Principles – IDEAS from 2/26



Subscriptions/User Fees

- Foundational/infrastructure costs should not come out into user fees.
- Revenue should not be sought disproportionately from any one stakeholder or group of stakeholders. The definition of “disproportionate” will likely change over time, depending on the phase and functionality of SHARE.
- Properly developed subscription fee models that incentivize higher utilization of SHARE’s services can provide stability in revenue planning.
- SHARE should focus initial payment requirements on those who will initially receive the most direct financial benefit from using it, and will “phase in” costs to the broader group receiving benefits as the Exchange increases abilities/benefits to others.
- The participants in SHARE will be willing to pay fees relative to the value they gain from using the exchange.

Financial Principles – IDEAS from 2/26



Other

- Allowable costs must be clearly defined



Financial Principles for Arkansas' HIE System

What are our Recommendations?



Finance Model Analysis

Finance Model – Information Network of AR



- Operates under contract to NIC, Inc. which has similar operations in 23 states.
- Provided all initial capital investment for the project, is a self-sustaining/self-funded entity that receives no direct appropriation of General Revenue from the state.
- Have a \$5M annual operating budget and derive income from fees charged for access to data and generation of reports; from subscription fees for corporate customers and other clients;
- Did not develop own infrastructure for the network but uses the states WAN thru DIS;

Finance Model – Information Network of AR



- Primary focus is on developing information solutions and portals for improved access to public information that people want/need to access;
- Constantly anticipating what new demands for information will be and developing solutions to meet that demand;
- Major emphasis on customers satisfaction and ease of use
- INA only gets paid if customers use their network.
- Governed by a public/private board
- Think this partnership model has worked very well for the company and the state

Finance Models



- Overview of Connect Arkansas/Arkansas Capital Corp.
- Overview of Public Service Commission
 - “Taxes, taxes, taxes” – *Arkansas Democrat-Gazette*, Editorials, March 2, 2010
 - ✦ <http://www.arkansasonline.com/news/2010/mar/02/taxes-taxes-taxes-20100302/>
 - “FCC to propose revamping Universal Service Fund” – Joelle Tessler, Associated Press Technology Writer, March 5, 2010
 - ✦ http://news.yahoo.com/s/ap/20100305/ap_on_hi_te/us_tec_fcc_universal_service

Specific Financing Ideas for Arkansas – Ideas from the WG



- Small fee attached to internet connections, cable, satellite or cell phone bills.
- Text message tax may also be an increasing source of revenue. There is next to no cost for the carrier for text messages so lots of profits to share.
- A drivers license fee is another possibility.
- Maybe we should have some discussions with the Public Service Commission. We have talked about running this as a utility, and they are the ones who regulate utilities. It would be nice if we could find a 'fee' rather than a 'tax'.
- Any user/beneficiary of the system as well as state/federal \$ and grants.
- What about a surcharge on your electrical bill that could go into an HIE operational fund? This would spread the cost over all persons and provide a reliable funding stream. We already have surcharges on other utilities for other reasons, so this would only be one more. If it was small, maybe it would be acceptable to people.
- Maybe a line item on the state income tax form

General Financing Ideas for Arkansas



- Membership fees
- Transaction fees
- Program/service fees
- Corporate sponsors
- Private sector donations/matching funds
- Loans from community stakeholders
- Private grants
- Public grant opportunities – federal, state
- State general revenues
- Bond-supported funding
- Institutional Stakeholder financing (ie Dept of Health, Medicaid, private hospitals, etc.)
- Individual Stakeholder financing (cell phone tax, pay per use, etc.)



Financial Incentives of Arkansas HIE Players & Payers

HIE Players & Payers



- Individuals – Patients/Consumers
- Public Health
- Medicaid
- Other State Agencies & Programs
- Self-Insured (ie Employee Benefits Division)
- Private Insurers
- Labs
- Physicians, Clinics, Hospitals, Other Providers
- Data Users, Researchers, etc.

HIE Players & Payers



- What is this player's cost now (without HIE)? Consider ALL costs – direct financial (\$), time, other efficiencies, etc.
- What are the financial incentives/direct savings that will likely be realized with HIE?
- Can we estimated a dollar value \$ or % value of this player's financial incentives with HIE?
- What are the notable financial DISincentives to this player with HIE?

There are many types of costs and incentives, but we want to focus only on the financial ones, something that we can now (or with more information) put a dollar amount on

HIE: Players & Payers



- Is there a possibility of providing cost savings by shifting costs over to HIE to get the same information people pay for now?
- Which players pay less/more than their benefit now? Is there a way to convert them to pay appropriately for that benefit?
- Even if everyone paid what they “should” to equal their benefit, is that enough to support HIE?
- Where are the biggest savings?
- Where are the most direct financial savings?



Homework:

Hannah will email a draft of the Finance Straw Proposal for the Strategic Plan late Friday or early Monday.

Please read and send back comments.